

Economic Impact Statement
LSA Document #12-50

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**Estimated Number of Small Businesses Subject to this Rule:**

There are approximately 380 licensed nursery growers registered in the state. It is estimated that 12 of these nurseries produce aquatic plants and only a portion of these would produce any of the species being considered for regulation. There are nearly 4,000 retailers in the state that sell plants including retail landscape, aquarium stores, and other retail outlets. Of these retail outlets, it is estimated that one-third sell aquatic plants and an estimated 200 of these may actually sell species proposed for regulation.

Marinas and businesses that specialize in watercraft repair, removal, and storage are subject to this rule since they must inspect the equipment to be certain there are no regulated plants present. It is estimated that 400 small businesses in Indiana specialize in these types of services and would be impacted by the rule.

Estimated Average Annual Reporting, Record Keeping, and Other Administrative Costs Small Businesses Will Incur for Compliance:

There is no reporting, record keeping or administrative costs imposed on small businesses as a result of this rule.

Estimated Total Annual Economic Impact on Small Businesses to Comply:

It is expected that the economic impact to production nurseries, wholesalers, and retailers will be in disposal of existing stock. After a business is in compliance, there would be no annual economic impact. Businesses that produce or sell regulated species will need to eliminate all existing inventories of the regulated species. Currently only seven of the 28 species proposed in this rule have a presence in trade. A typical inventory for the estimated 200 retail outlets that may offer these plants for sale would range from 10 to 50 plants of each of the seven species.

Economic loss in inventory for these businesses is expected to be minimal. The species proposed for regulation are relatively inexpensive plants that range in price from \$3 to \$7 per plant. If a business has to eliminate an inventory of 100 plants of any of the species, at an average of \$5 per plant, total retail cost for these plants would average approximately \$500 per retail outlet. It would be unusual that a business would have all seven species with this level of inventory, however; so the economic impact per business could be much lower. Other than the possible destruction of regulated species inventory, there should be no other economic loss to these businesses.

Through education outreach provided by the IDNR, businesses who sell aquatic plants will learn about the rule prior to final adoption. This will give these businesses time to adjust their inventory and not order in a supply of the species as rule promulgation nears. If this is the case, they would have little inventory to eliminate. The winter is generally when retail outlets order plants that they will sell during the growing season. As the rule progresses and prior to retailers placing their orders the Department will notify retail outlets that species may be prohibited in the future.

The annual economic impact for marinas and boat repair, removal, and storage businesses will be minimal. Inspection and hand removal of all plant material takes very little time. For a 30-foot recreational boat, it is expected that the visual inspection and hand removal of all plant material from the boat and trailer may take 15 minutes. At \$10 per hour, inspection and removal would cost \$2.50. An average business may remove 30 boats a month during the five-month boating season costing the business a total of \$75 in labor per month. No special equipment is necessary to clean plant material from aquatic equipment.

Justification Statement of Requirement or Cost:

Seventeen of the 28 species that are proposed in this rule are currently regulated by the federal government as "federal noxious weeds". These species should not be in trade because federal rules restrict their movement. Federal noxious species are regulated by the federal authorities for interstate movement only. These authorities are not able to regulate intrastate movement, if a noxious weed already exists in Indiana or is able to enter the state without the knowledge of the federal regulatory body these authorities would not have the ability to regulate these species. These species are included in this rule to allow for enforcement by Indiana authorities rather than relying on federal enforcement. Having a companion rule by the state that mirrors federal regulations allows the federal authorities to try to keep a species from entering the state while the intent of the proposed rule is to prevent movement within the state.

A risk assessment tool was developed by a group of aquatic invasive species experts and members representing the aquatic plant trade. Results from the risk assessment were used to select the species that should no longer be allowed in trade in Indiana. These species are known to become invasive when released and

can alter existing ecosystems.

Some of the species proposed for regulation have been in trade for many decades. Originally, most were used in aquariums. Eventually, it was discovered that a common source of infestation is through improper disposal of aquarium stock into a body of water. Another source of infestation is due to the recent popularity of water gardens, which has resulted in the plants being used in outdoor environments where they can occasionally escape. When an invasive species escapes into a lake or pond, they displace native aquatic plants, cause fish population imbalances, and reduce recreational opportunities. A reduction in recreation causes a loss to a lakes local area economy and the surrounding natural resources.

There are numerous other aquatic plants currently in trade that can be used to replace the species proposed for regulation. Wholesale and retail outlets will simply replace the invasive species that are proposed for regulation with a noninvasive species that will have similar customer appeal. There are many plants with similar characteristics to the species proposed for regulation that can be substituted that do not pose a threat to the environment. Other than the possible destruction of regulated species inventory, there should be no other economic loss to businesses.

Eliminating invasive species from infested lakes and ponds can be difficult and expensive. A project to eliminate Brazilian elodea from 109-acre Griffy Lake in Bloomington cost nearly \$150,000 over two years. It may cost approximately \$60,000 to eradicate parrot feather from an 18-acre public lake in Indiana. A project to eradicate hydrilla from Lake Manitou, a 735-acre natural lake, will likely cost in excess of \$2 million when the project is complete. The small cost or inconvenience to take an invasive plant species out of trade pales in comparison to the cost to eradicate a species once the species escapes into the environment.

Regulatory Flexibility Analysis of Alternative Methods:

One alternative to lessen the impact of the destruction of a business's inventory of the proposed species to be regulated is to propose a phase in period where businesses could sell their remaining inventory but not continue to replenish their supplies. This in reality is what is expected to happen over the coming months as this rule becomes effective. Unfortunately, as businesses continue to sell the regulated species to deplete their inventory, there is the risk that these plants will be released in waters throughout the state.

Another alternative to this regulation is that businesses could warn consumers as to the invasiveness of the species listed in the proposed rule. If businesses effectively express warnings to the consumers and have a less invasive plant as an alternative to be used in place of the listed species, a certain amount of protection could be achieved. If managers or owners of these businesses do not understand or are not concerned about the level of potential invasiveness of these listed species, if they do not effectively warn consumers of its invasive characteristics, or if they do not provide alternative plants to substitute for the listed species, this option will not be suitable to stop the spread of invasive plants. It is unlikely that a strategy such as this would have the desired outcome of preventing further introduction of these invasive species into Indiana waters.

Convincing a customer to not purchase something in supply is not typically considered a good business practice so it is unlikely that this is a viable option, especially if the invasive material is cheaper or easier for the business to source. To ensure effective measures are met it would be best to teach the store not to purchase the material at all and then ask them to pass the word on to customers to stay away from invasive species or dispose of material in a manner that will not allow these species to spread.

Posted: 04/11/2012 by Legislative Services Agency

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